EXHIBIT 1

EXHIBIT 1

Flexible Packaging Company, Inc.
(Debtor in Possession)

Financial Statements

September 30, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders of
Flexible Packaging Company, Inc.

We have audited the accompanying balance sheet of Flexible Packaging Company, Inc. as of September 30, 2009 and the related statements of operations, stockholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 12, to the financial statements, the Company reports its investments in Flexible Packaging Dominicana, C Por A., an 80% owned foreign corporation, at cost. In our opinion, accounting principles generally accepted in the United States of America requires that all majority-owned subsidiaries be accounted for as consolidated subsidiaries.

As also discussed in Note 12, the Company declined to present comprehensive income and its components for the year ended September 30, 2009. Presenting such information that summarize the change in the Company's equity during the period from transactions and other events and circumstances from non-owner sources is required by accounting principles generally accepted in the United States of America.

In our opinion, except for the effect of not consolidating all majority-owned subsidiaries, and the omission of comprehensive income and its components which results in an incomplete presentation as explained in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of Flexible Packaging Company, Inc., as of September 30, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United Stated of America.

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Russell Bedford

Board of Directors and Stockholders of
Flexible Packaging Company, Inc.
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The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 14, on March 28, 2009, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating the business as a debtor in possession subject to the control and supervision of the Bankruptcy Court. Those conditions raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 6 to the financial statements, the Company conducted significant transactions with related parties as part of its operations. As of September 30, 2009, due from affiliates compose approximately 25% of total assets.

This report is intended solely for the information and use of the Board of Directors, management and the United Stated Bankruptcy Court for the District of Puerto Rico and is not intended to be and should not be used by anyone other than the specified parties.

2578121

FPV & Galindez

San Juan, Puerto Rico
July 7, 2010

Flexible Packaging Company, Inc.
(Debtor in Possession)

Balance Sheet

September 30, 2009

Assets

Cash and cash equivalents	$ 891,095
Accounts receivable, net	1,895,974
Accounts Receivable	
Stockholder	2,827,560
Affiliates	4,487,176
Inventories	1,526,891
Prepaid expenses	106,981
Prepaid income tax	18,899
Advances for property and equipment acquisitions	91,930
Property and equipment, net	13,806,456
Other assets	73,191
Total Assets	25,726,153

Liabilities and Stockholders' Equity

Post-Petition	
Accounts payable	868,290
Accrued expenses	17,270
Other accounts payable	494,108
Accounts payable affiliate	664,717
Total Post-Petition	2,044,385
Pre-Petition	
Liabilities subject to compromise	13,434,688
Liabilities not subject to compromise	3,238,060
Total Pre-Petition liabilities	16,672,748
Total liabilities	18,717,133
Stockholders' equity	
Common stock - authorized 2,000,000 shares $1 par value each; issued 1,385,954 shares, including 57,264 held in treasury	1,385,954
Treasury stock (at cost)	(203,000)
Retained earnings	5,826,066
Total stockholders' equity	7,009,020
Total liabilities and stockholders' equity	$ 25,726,153

See notes to financial statements

Flexible Packaging Company, Inc.
(Debtor in Possession)

Statement of Operations

Year ended September 30 , 2009

Sales	$ 12,872,900
Cost of sales	11,057,861
Gross profit	1,815,039
Administrative and selling expenses	3,627,178
(Loss) from operations	(1,812,139)
Other income (expense):	
Interest expense, net	(620,342)
Miscellaneous	106,706
Total	(513,636)
Net (loss)	$ (2,325,775)

See notes to financial statements

Flexible Packaging Company, Inc.
(Debtor in Possession)

Statement of Stockholders' Equity

Year ended September 30, 2009

	Common stock	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance as of September 30, 2008	$ 1,385,954	$ (203,000)	$ 8,151,841	$ 9,334,795
Net (loss)	-	-	(2,325,775)	(2,325,775)
Balance as of September 30, 2009	$ 1,385,954	$ (203,000)	$ 5,826,066	$ 7,009,020

See notes to financial statements

Flexible Packaging Company
(Debtor in Possession)

Statement of Cash Flows

Year ended September 30 ,2009

Cash flows from operating activities:	
Net (loss)	$ (2,325,775)
Adjustments to reconcile net (loss) to net cash provided by operating activities:	
Depreciation	839,655
Provision for doubtful accounts	179,291
Amortization of debt issue costs	15,896
Changes in operating assets and liabilities:	
Decrease in accounts receivable	423,738
Decrease in inventories	743,218
Decrease in prepaid expenses and other assets	126,057
Decrease in accounts payable - trade	(86,833)
Increase in accrued expenses	876,975
Total adjustments	3,117,997
Net cash provided by operating activities	792,222
Cash flows from investing activities:	
Net capital expenditures	(53,816)
(Increase) decrease in advances to/from:	
Stockholders	(439,656)
Affiliates	468,519
Net cash (used in) investing activities	(24,953)
Cash flows from financing activities:	
Proceeds from issuance of notes payable, demand loans, and long-term debts	205,652
Payments of notes payable, demand loans, long-term debts and obligations under capital leases	(23,734)
(Decrease) in bank overdraft	(72,865)
Net cash provided by financing activities	109,053
Net increase in cash and cash equivalents	876,322
Cash and cash equivalents, beginning of year	14,773
Cash and cash equivalents, end of year	$ 891,095

(Continues)

Flexible Packaging Company, Inc.
(Debtor in Possession)

Statement of Cash Flows (Continued)

Year ended September 30, 2009

Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$ 620,342
Supplemental disclosures of non-cash investing and financing activities:	
Refinance of long-term debt	$ 9,330,957
Payment of long term debt by affiliates	$ 4,375,558
Payment of line of credit through refinance of long-term-debt	$ 2,945,172
Payment of interest swaps and other accruals through refinance of long-term debt	$ 838,554
Acquisition of insurance policies through indebtedness	$ 105,668

See notes to financial statements

Note 1 - Organization and summary of significant accounting policies

Organization

Flexible Packaging Company, Inc. (the Company), a manufacturer of protective packaging materials and contract packaging, was incorporated under the laws of the Commonwealth of Puerto Rico in February 1974.

The Company's principal customers are subsidiaries of U.S.A. corporations doing business in Puerto Rico.

Inventories

Inventories consist primarily of raw materials and are stated at the lower of cost (first-in, first-out) or market value. Inventory in-transit consists of purchases from foreign suppliers for which title has passed to the Company. Finished products inventory includes all direct costs, such as labor and materials, and those indirect costs which are related to production, such as indirect labor, supplies, tools, repairs, and depreciation costs.

A valuation allowance is recognized for obsolete and slow-moving inventory to write cost down to net realizable value (market), if necessary. The valuation allowance is calculated using all overstocked inventory considered obsolete due to lack of movement in a period of 6 months or more.

Property and equipment

Property and equipment are stated at cost. The Company provides for depreciation and amortization by the use of the straight-line method based on the estimated useful life of the assets which range from 3 to 50 years.

The Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No evidence of impairment is evident as a result of such review.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Note 1 - Organization and summary of significant accounting policies - (continued)

Debt issue costs

Debt issue costs consist of loan refinancing costs which are being amortized over the term of the loan on a straight line basis, which approximates the interest method.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Impairment of long-lived assets

In accordance with the provisions of the *Accounting for the Impairment or Disposal of Long-Lived Assets, Topic of the FASB Accounting Standard Codification* management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. As of September 30, 2009, management believes that long-lived assets are not impaired at the individual asset or the asset group level.

Income taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax return. The temporary differences between financial statements and tax returns arise principally from the use of net operating loss carry forwards and the allowance for uncollectible accounts.

Also, the Company adopted the requirements of the *Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codifications*, which is an accounting standard that prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax position and income tax disclosures. The adoption of the above mentioned accounting standard did not have an effect on the Company's financial statements.

Note 1 - Organization and summary of significant accounting policies - (continued)

Income taxes

The Company's policy for interest and penalties related to income tax exposures is to recognize interest and penalties as a component of the provision for income taxes in the Statements of Income. As of September 30, 2009, the Company believes that there are no uncertain tax positions and has no accrued income tax related interest and/or penalties in the accompanying balance sheet.

Allowance for doubtful accounts

Trade accounts receivable are stated net of an allowance for doubtful accounts. The Company estimates the allowance based on the age of past due accounts and the assessment of the customer's ability to pay. At September 30, 2009 the allowance for doubtful accounts was $219,612.

Note 2 - Accounts receivable

Approximately 54% of gross accounts receivable at September 30, 2009 were from the Company's ten largest customers. Of these customers, two have individual receivable balances between 7% and 13% of gross accounts receivable at September 30, 2009.

Accounts receivable as of September 30, 2009 consist of the following:

Trade	$2,088,450
Employees and other	27,136
Subtotal	2,115,586
Less: allowance for doubtful accounts	219,612
Total	$1,895,974

All of the net trade receivables are pledged as collateral on a bank term loan.

As discussed in note 7, included in the accounts receivable are trade receivables from affiliates arising from performing intercompany transactions during the year, as part of the Company's operations. Trade receivables from affiliates amounted to $7,405 at September 30, 2009.

Note 3 - Inventories

Inventories as of September 30, 2009 consist of the following:

Raw materials	$ 396,488
Work in process	248,742
Manufactured products	1,233,553
Subtotal	1,878,783
Less: allowance for obsolete inventory	351,892
Total	$ 1,526,891

Note 4 - Property and equipment

A detail of property and equipment as of September 30, 2009 is as follows:

Land	$ 1,103,600
Building	4,719,843
Machinery and equipment	11,824,584
Leasehold improvements	1,178,678
Computer Equipment	368,802
Furniture and fixtures	145,312
Motor vehicles	457,014
Equipment under capital leases	115,615
Subtotal	19,913,448
Less: accumulated depreciation and amortization	6,154,908
	13,758,540
Construction in progress	47,916
Property and equipment net	$13,806,456

Depreciation expense for the years ended September 30, 2009 amounted to $839,655.

Amortization of equipment under capital leases was $8,077 in 2009. At September 30, 2009 un-amortized cost of leased equipment amounted to $10,492.

Note 5 - Long term debt and obligations under capital leases

Long-term debt and obligations under capital leases as of September 30, 2009 consist of the following:

Mortgage payable to Banco Popular payable in monthly installments of $812 including interest at 5.75%, final payment due in September 2020, collateralized by house located in Las Piedras.	$ 79,306
Mortgage payable to Oriental Bank payable in monthly installments of $2,858 plus interest at 2.5% over 90-day LIBOR rate (approximately .3475% at September 30, 2009), final payment due in February 2009, collateralized with Company's assets.	203,009
Capital lease obligations payable to Banco Popular in monthly installments ranging from $267 to $513, including interest ranging from 4.95% to 7.60%, due in different dates from October 2008 to June 2012, collateralized by automobiles.	15,136
Loan payable to Westernbank in 59 monthly installments ranging from $72,112 to $103,689, plus interest ranging from 3.75% to 6.75%, and a final balloon payment of $21,711,809 due on November 1, 2014, collaterized by mortgages on affiliated company's building and land, and Company's accounts receivable and inventory. Loan payable represents an allocated portion of total debt distributed by management, as described below.	13,137,237
Total long-term debt and obligations under capital leases	$ 13,419,552

Note 5 – Long term debt and obligations under capital leases - (continued)

Scheduled principal payments on long-term debts and capital lease obligations for the next five years and thereafter are as follows:

Years	Long-Term Debt	Capital Lease Obligations
2010	$ 185,177	$ 6,116
2011	155,222	6,116
2012	147,722	4,687
2013	120,235	-
2014	133,641	-
Thereafter	12,677,555	-
Total	$13,419,552	16,919
Less amount representing interest on capital lease obligations		1,783
		$15,136

The carrying amounts of the Company's long-term debts approximate their fair value, based on the borrowing rates currently available to the Company for loans with similar term and average maturities.

During 2009 the Company incurred in certain events of defaults under the Financing Agreement and other Loan Documents. On March 28, 2009, the Company and Bankruptcy Guarantors each filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the district of Puerto Rico. On July 13, 2009, Westernbank filed Proof of Claims concerning secured claims in the amount of $28,075,215. Each of the Guarantors acknowledged and accepted the outstanding obligations of principal, interest, and fees due to the Bank for each of the outstanding loans under the Financing Agreements.

The Company and the Guarantors have agreed to restructure the repayment of the amounts due under two term loans in the aggregate amount of $ 28,636,832. Approximately $827,804 of unpaid interest rate swaps and $53,376 of late fees are included as part of the loans' principal amounts. While the totality of the forgoing amount is owed jointly and severally by the Company and the Guarantors, the parties agreed to make certain accommodations for the repayment of the debt. Based on the loan agreement Flexible Pacakaging and the Guarantors are responsible to pay the principal sum of $28,636,832 in fifty nine (59) consecutive monthly installments of principal and interest and a final balloon payment of $27,082,316 at November 1, 2014. The Company's allocation of this debt is approximately 46% of total principal amount, which as of September 30, 2009 is $13,137,237.

Note 5 – Long term debt and obligations under capital leases - (continued)

The loan agreements contains provisions which, among other, restrict the borrower's ability to dispose or collateralize assets, liquidate, merge or consolidate, engage in other business activities, limit the incurrence of additional indebtedness, payment of dividends, change in management and change in ownership of the borrowers.

Note 6 – Related party transactions

Affiliated companies, as referred to in the accompanying financial statements, includes several corporations, and a special partnership which are substantially owned by one of the Company's stockholders. These affiliated companies among others are: Flexible Packaging Company, Inc., Flepak Share Services Division, Inc., Flepak Investment, Inc., Bayamón Plastic Recycling Inc., IPAK FPG, S.A., La Perla Development, Inc., etc.

During the years ended September 30, 2009, an affiliate provided management services to the Company. During 2009, this affiliate billed the Company approximately $894,609, for central office expenses, which are included in administrative and selling expenses. Management fees, advances from and payments made by affiliates on behalf of the Company are presented as amounts due to affiliates. Such amounts are unsecured, non-interest bearing, and with no specified repayment terms.

At September 30, 2009 balances, due to / from affiliates consist of the following:

Due from affiliates:	
Flepak Shared Service Division, Inc.	$ 4,247,100
Packaging Solutions, Inc.	73,515
Others	166,561
	$ 4,487,176
Due to affiliate:	
Flepak Investment, Inc.	$ 664,717

As disclosed in note 10, the Company carries its operations in two locations under non-cancelable lease agreements with one of its affiliates.

Note 6 – Related party transactions - (continued)

During the year ended September 30, 2009, the Company performed transactions with its affiliates as part of its routine operations. Sales to affiliates included in the statement of operations amounted to approximately $145,000. As result of those transactions the following intercompany balances were included as trade accounts receivable and payable balances in the accompanying financial statements as of September 30, 2009:

Accounts receivable trade:	
Packaging Solutions, Inc.	$ 7,405
Accounts payable trade:	
Packaging Solutions, Inc.	$ 62,381
Flepak Shared Service Division, Inc.	62,522
Others	87,281
Total	$ 212,184

Note 7 – Liabilities Subject to Settlement Under Reorganization Proceedings

Pursuant to Section 362 of the Bankruptcy Code, the commencement of the Chapter 11 imposed an automatic stay, applicable generally to creditors and other parties of interest, regarding: (a) the commencement or continuation of a judicial, administrative or other action or proceeding against the Debtor that was or could have been commenced prior to commencing the Chapter 11 case; (b) the enforcement against the debtor or their property of any judgments obtained prior to commencement the Chapter 11 case; (c) the taking of any action to obtain possession of property of the Debtor or to exercise control over property of the Debtor; (d) the creation, perfection or enforcement of any lien against the property of the Debtor's bankruptcy estates; (e) any act to create, perfect or enforce against property of the Debtor of any lien that secures a claim that arose prior to the commencement of the Chapter 11 case; (f) the taking of any action to collect, assess or recover claims against the Debtor that arose before the commencement of Chapter 11 case; (g) the setoff of any debt owing to the Debtor that arose prior to the commencement of the Chapter 11 case; or (h) the commencement or continuation of a proceeding before the United States Tax Court any liability of the Debtor.

Note 7 - Liabilities Subject to Settlement under Reorganization Proceedings - (continued)

The liabilities at the petition date (pre-petition), which are expected to be settled as part of a plan of reorganization, are separately classified in the accompanying balance sheet and include the following:

Liabilities subject to compromise:	
Secured Claims	
Loans payable	$ 13,419,552
Vehicle loan payable	15,136
Total Secured Claims	$13,434,688
Liabilities not subject to compromise:	
Unsecured Priority Claims	
Accrued expenses	$ 134,659
Accounts payable-Trade	79,552
Other accounts payable	29,954
	244,165
Unsecured Non Priority Claims	
Accounts payable-Trade	2,993,895
Total Unsecured Claims	$ 3,238,060

Notes 8 - Income taxes

The Company's effective income tax rate is higher than what would be expected if the state statutory rate was applied to income before tax primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

As of September 30, 2009, the Company had carry forward loss amounting to approximately $3,663,000 available to off-set future taxable income, which if not used will expire as follows:

Year of Loss	Amount	Expiration Date
September 30, 2004	$ 19,000	2011
September 30, 2005	9,000	2013
September 30, 2006	87,000	2014
September 30, 2008	1,429,000	2015
September 30, 2009	2,119,000	2016
Total	$3,663,000	

Note 8 - Income taxes (continued)

The deferred tax asset arising from the above carryforward losses has been fully reduced because of the uncertainty of its realizations within the carryforward period.

In accordance with the terms of Act No. 135 of December 2, 1997 and after election to convert the grant, Case No. 96-8-1-102 under prior industrial incentive law, into new grant Case No. 00-135-1-60, the Company was granted partial tax exemption with respect to property and income taxes arising from industrial development income derived from manufacturing operations as follows:

Company	Effective Date	Expiration Date
Flexible Packaging Company, Inc. (Las Piedras and Aguadilla locations)	October 1, 2000	September 30, 2015
Flexible Packaging Company, Inc. (Rincón location)	October 1, 2000	September 30, 2030

The Company is exempt during the exemption period from the following taxes at the percentages, terms and conditions set forth:

1. Up to 7% flat rate of income derived from tax exempt operations and subject to an aggregate average annual employment.
2. Ninety percent (90%) from municipal and commonwealth taxes on real and personal property.
3. Sixty percent (60%) from license fees, excise and other municipal taxes, levied by any ordinance or any municipality. The portion taxable shall be subject, during the term of the grant, to the tax rate in effect on the date the grant is signed, notwithstanding any later amendment or extension to the grant to cover operation in another municipality or municipalities.
4. 100% from excise taxes imposed under Subtitle B of the Puerto Rico Internal Revenue Code, to the extent provided in Section 6 (c) of the act.

Note 9 - Concentration of credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of temporary cash investments and trade accounts receivables.

Note 9 - Concentration of credit risk - (continued)

Cash and cash equivalents and investments

The Company maintains cash balances at several banks, whose accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. At September 30, 2009, the Company had cash balances in financial institutions that exceed the insured limit by approximately $600,000, but has been placed in high credit financial institutions and management believes that credit risk related to these deposits is minimal. The Company also maintains balances in money market funds, in highly rated financial institutions.

Accounts receivable

The Company is engaged primarily in the manufacture and sale of highly diversified lines of packaging products principally to subsidiaries of USA corporations doing business in Puerto Rico. The Company performs ongoing credit evaluations of its customers' financial condition and, generally, requires no collateral from its customers. The mix of receivables from customers at September 30, were as follows:

Stryker Puerto Rico	13%
Boston Scientific de Costa Rica	7%
Hewlett Packard Caribe	6%
Cutler Hammer Electrical DR	5%
Cutler Hammer Coamo	5%
Other (under 5%)	64%
	100%

Note 10 - Operating lease agreements

The Company leases its offices and warehouse from Flepak Investments, an affiliate, under two separate operating leases, which were combined into a single agreement on March 1, 2008. The first lease required monthly payments of $11,102 and the other of $5,248. Under the new agreement a single payment will be made with yearly increases in monthly amount from $19,333 to $30,933. The lease is to expire on February 2017. Rent expense charged to operations during the year ended September 30, 2009 was approximately $282,000.

The Company also leases various pieces of equipment under operating leases that expire at dates through 2011. Rent expense under these leases totaled $8,231 during 2009.

Note 10 - Operating lease agreements - (continued)

At September 30, 2009, the minimum lease payments under the terms of all lease agreements were as follows:

Year	Amount
2010	$ 286,081
2011	281,600
2012	332,533
2013	371,200
2014	371,200
Thereafter	742,400
Total	$2,385,014

Note 11 - Contingency

The Company is defendant in labor related cases and other lawsuits arising from its operations; management and legal counsel are of the opinion that the outcome of these suits will not have a material effect on the Company's financial position or the results of its operations. The accompanying financial statements do not include any adjustments that might result from the outcome of these uncertainties.

Note 12 - Investment in majority-owned foreign subsidiary

The Company owns 80% of Flexible Packaging Dominincana C por A, (the Subsidiary) a Dominican Republic corporation. The Company accounts for its investment in subsidiary at cost. The Subsidiary engages in the distribution of packaging products sold by the Company to its customers located on that country. The Company is billed for a fixed monthly management fee of approximately $27,000, for distribution services provided by the subsidiary. The Subsidiary has been experiencing operational losses, resulting in accumulated stockholders' deficiency at September 30, 2009.

Accounting principles generally accepted in the United States of America requires majority-owned subsidiaries to present consolidated financial statements. Also, it requires presenting the effect of aggregated foreign currency exchange translations resulting from measuring subsidiary assets, liabilities and related revenues and expenses at weighted average exchange rates, as a component of accumulated other comprehensive income within stockholders' equity.

The Company has declined presenting consolidated financial statements as well as presenting comprehensive income and its components for the year ended September 30, 2009, as required.

Note 12 - Investment in majority-owned foreign subsidiary – (continued)

The accompanying financial statements do not include any adjustments that might result from applying the corresponding accounting principles generally accepted in the United States of America, as required.

Note 13 - Bankruptcy Reorganization

On March 28, 2009, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal bankruptcy Code for the district of Puerto Rico. Under Chapter 11, certain claims against the Debtor in existence before the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as debtor in possession. These claims are reflected in the September 30, 2009, balance sheet as liabilities subject to compromise. Additional claims (liabilities subject to compromise) may arise after the filing date resulting from rejection of executor contracts, leases, or from the determination by court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Claims secured against the Debtor's assets (secured claims) also are stayed, although the holders of such claims have the right to move the court for relief from stay. Secured claims are secured primarily by liens on the Company's property, plant, and equipment.

Note 14 - Subsequent Events

The Company evaluated subsequent events through July 7, 2010, which is date the financial statements where available to be issued. No events have occurred subsequent to the balance sheet date and to the date the financial statements were available to be issued, that would require additional adjustments to, or disclosure in, the financial statements.

Flepak Shared Services Division, Inc.
(Debtor in Possession)

Financial Statements

September 30, 2009

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ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Flepak Shared Services Division, Inc.

We have compiled the accompanying balance sheet of Flepak Shared Services Division, Inc. as of September 30, 2009, and the related statement of operations and accumulated deficit and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As discussed in Note 2 to the financial statements, the Company conducted significant transactions with related parties as part of its operations. As of September 30, 2009, due from affiliates compose approximately 87% of total assets.

As discussed in Note 10 to the financial statements, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating the business as a debtor in provision subject to control and supervision of the Bankruptcy Court.

2578119

FPV & Galindez

San Juan, Puerto Rico
July 7, 2010

Flepak Shared Services Division, Inc.
(Debtor in Possession)

Balance Sheet

September 30, 2009

Assets

Cash and cash equivalents	$ 2,872
Accounts receivable	105,278
Prepaid expenses	5,087
Prepaid income tax	13,732
Property and equipment, net	192,644
Due from stockholder	57,315
Due from affiliates	4,806,662
Other assets	450
Total assets	5,184,040

Liabilities and Stockholder's (Deficiency)

Post-pettion	
Accounts payable trade	28,066
Accrued expenses	166,604
Account payable affiliates	4,247,100
Total post-pettion	4,441,770
Pre-petition	
Liabilities subject to compromise	3,827,832
Liabilities not subject to compromise	106,239
Total Pre-Petition	3,934,071
Total liabilities	8,375,841
Stockholder's (deficiency)	(3,191,801)
	$ 5,184,040

See accountants' compilation report and notes to financial statements

Flepak Shared Services Division, Inc.
(Debtor in Possession)

Statement of Operations and Accumulated Deficit

Year ended September 30, 2009

Service income - affiliates	$ 1,471,779
Cost of sales	3,908
Gross profit	1,467,871
Administrative and selling expenses	1,315,370
Income from operations	152,501
Other expenses	
Interest	(344,821)
Miscellaneous	(7,725)
	(352,546)
Net loss	(200,045)
Accumulated deficit, beginning of year	(2,992,756)
Accumulated deficit, at end of year	$ (3,192,801)

See accountants' compilation report and notes to financial statements

Flepak Shared Services Division, Inc.
(Debtor in Possession)

Statement of Cash Flows

Year ended September 30, 2009

Cash flows from operating activities:	
Net loss	$ (200,045)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation expense	107,377
Amortization of debt issue costs	30,032
Changes in operating assets and liabilities accounts	
Increase in:	
Accounts payable	223,188
Total adjustments	360,597
Net cash provided by operating activities	160,552
Cash flows from financing activities:	
Net advances to affiliates	(169,675)
Net cash (used in) financing activities	(169,675)
Net (decrease) in cash and cash equivalents	(9,123)
Cash and cash equivalents	
Beginning of year	11,995
End of year	$ 2,872
Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$ 344,821
Supplemental disclosures of non-cash investing and financing activities:	
Refinance of long-term debt	$ 1,239,358
Long-term debt payment by affiliate	$ 5,408
Capital lease payments by affiliate	$ 9,553
Acquisition of property and equipment through credit	$ 39,138

See accountants' compilation report and notes to financial statements

Note 1 - Organization and summary of significant accounting policies

Organization

Flepak Shared Services Division, Inc. (the Company) was incorporated under the laws of the Commonwealth of Puerto Rico on December 18, 1990 for the purpose of providing managerial services to its affiliates. During 1997 the Company began selling packaging products.

Property and equipment

Property and equipment are stated at cost. Depreciation and amortization are provided on the straight-line method over the estimate useful life of the assets, which ranges from 3 to 20 years.

The Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No evidence of impairment is evident as a result of such review.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Debt issue costs

Debt issue costs consist of loan refinancing costs which are being amortized over the term of the loan on a straight line basis, which approximates the interest method.

Note 1 - Organization and summary of significant accounting policies – (continued)

Income taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax return. The temporary differences between financial statements and tax returns arise principally from the use of net operating loss carry forwards and the allowance for uncollectible accounts.

Also, the Company adopted the requirements of the *Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codifications*, which is an accounting standard that prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax position and income tax disclosures. The adoption of the above mentioned accounting standard did not have an effect on the Company's financial statements.

The Company's policy for interest and penalties related to income tax exposures is to recognize interest and penalties as a component of the provision for income taxes in the Statements of Income. As of September 30, 2009, the Company believes that there are no uncertain tax positions and has no accrued income tax related interest and/or penalties in the accompanying Balance Sheet.

Note 2 - Related party transactions

Affiliated companies, as referred to in the accompanying financial statements, include several corporations and a special partnership which are substantially owned by one of the Company's stockholders

The Company charges its affiliates for central office expenses and management fees. Such billings are recorded as service income by the Company. Amounts due from stockholder consist principally of advances to and payments made by the Company on his behalf.

Amounts due to/from affiliates consist principally of advances to/from affiliates, and payments made on behalf of the Company. Amounts due to/from stockholder, affiliates and related parties, are unsecured, non-interest bearing and with no specified terms for repayment.

Note 2 - Related party transactions – (continued)

At September 30, 2009, significant related parties are reported in the Company's financial statements as follows:

Due from related parties:	
Packaging Solutions, Inc.	$3,774,687
Flepak Investments, Inc.	1,030,331
La Perla Development, Inc.	1,644
	$4,806,662
Due to related parties:	
Flexible Packaging Group, Inc.	$4,247,100

Note 3 - Accounts receivable

Accounts receivable as of September 30, 2009, consist of management fee receivables from affiliates by $105,278.

Note 4 - Property and equipment

Property and equipment as of September 30, 2009, consist of the following:

Leasehold improvements	$ 23,354
Furniture and fixtures	501,681
Machinery and equipment	235,581
Motor vehicles	97,650
Equipment under capital leases	108,364
Subtotal	966,630
Less: accumulated depreciation	773,986
Total	$ 192,644

Amortization of leased property under capital lease obligations was $16,305 in 2009. Unamortized cost of leased equipment amounted to $24,202 at September 30, 2009. Depreciation expense charged to operations for the year ended September 30, 2009 amounted to $107,377.

Note 5 - Long-term debts and capital lease obligations

A summary of long-term debts and capital lease obligations presented as Pre-Petition liabilities in the accompanying balance sheet, at September 30, 2009 follows:

Loan payable to Westernbank in 59 monthly installments ranging from \$72,112 to \$103,689, plus interest ranging from 3.75% to 6.75%, and a final balloon payment of \$21,711,809 due on November 1, 2014, collaterized by mortgage on affiliates company's building and land,and Company's account receivable and inventory. Loan payable represents an allocation of an affiliate debt as described below.	\$3,813,147

Capital lease obligations

Capital lease obligations, at varying rates of imputed interest ranging from 4.95% to 7.50%, collateralized by leased equipment.	\$ 14,686

Scheduled principal repayments on long-term debts and capital lease obligations for the next five years and thereafter are as follows:

Fiscal Year	Long-Term Debt	Capital Lease Obligations
2010	\$ 27,523	\$ 9,286
2011	28,462	6,084
2012	26,717	-
2013	20,650	-
2014	24,748	-
Thereafter	3,685,047	-
	\$3,813,147	15,370
Less: amount representing interest on capital lease obligations		684
		\$ 14,686

Note 5 - Long-term debts and capital lease obligations – (continued)

The carrying amounts of the Company's long-term debts approximate their fair value, based on the borrowing rates currently available to the Company for loans with similar term and average maturities.

During 2009 the Company incurred in certain events of defaults under the Financing Agreement and other Loan Documents. On March 28, 2009, the Company and Bankruptcy Guarantors each filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the district of Puerto Rico. On July 13, 2009, Westernbank filed Proof of Claims concerning secured claims in the amount of $28,075,215. Each of the Guarantors acknowledged and accepted the outstanding obligations of principal, interest, and fees due to the Bank for each of the outstanding loans under the Financing Agreements.

The Company and the Guarantors have agreed to restructure the repayment of the amounts due under two term loans in the aggregate amount of $ 28,636,832. Approximately $827,804 of unpaid interest rate swaps and $53,376 of late fees are included as part of the loans' principal amounts. While the totality of the forgoing amount is owed jointly and severally by the Company and the Guarantors, the parties agreed to make certain accommodations for the payment of the debt. Based on the loan agreement Flexible Packaging and the Guarantors are responsible to pay the principal sum of $28,636,832 in fifty nine (59) consecutive monthly installments of principal and interest and a final balloon payment of $27,082,316 at November 1, 2014. The Company's allocation of this loan is approximately 13% of total principal amount, which as of September 30, 2009 is $3,813,147.

The loan agreements contains provisions which, among other, restrict the borrower's ability to dispose or collateralize assets, liquidate, merge or consolidate, engage in other business activities, limit the incurrence of additional indebtedness, payment of dividends, change in management and change in ownership of the borrowers.

Note 6 - Liabilities subject to settlement under reorganization proceedings

Pursuant to Section 362 of the Bankruptcy Code, the commencement of the Chapter 11 imposed an automatic stay, applicable generally to creditors and other parties of interest, regarding: (a) the commencement or continuation of a judicial, administrative or other action or proceeding against the Debtor that was or could have been commenced prior to commencing the Chapter 11 case; (b) the enforcement against the debtor or their property of any judgments obtained prior to commencement the Chapter 11 case; (c) the taking of any action to obtain possession of property of the Debtor or to exercise control over property of the Debtor;

Note 6 - Liabilities subject to settlement under reorganization proceedings – (continued)

(d) the creation, perfection or enforcement of any lien against the property of the Debtor's bankruptcy estates; (e) any act to create, perfect or enforce against property of the Debtor of any lien that secures a claim that arose prior to the commencement of the Chapter 11 case; (f) the taking of any action to collect, assess or recover claims against the Debtor that arose before the commencement of Chapter 11 case; (g) the setoff of any debt owing to the Debtor that arose prior to the commencement of the Chapter 11 case; or (h) the commencement or continuation of a proceeding before the United States Tax Court any liability of the Debtor.

The liabilities at the petition date (pre-petition), which are expected to be settled as part of a plan of reorganization, are separately classified in the balance sheet and include the following:

Liabilities subject to compromise:	
Secured claims	
Loan payable	$3,813,147
Vehicle loan payable	14,686
Total secured claims	$3,827,833
Liabilities not subject to compromise:	
Unsecured priority claims	
Accounts payable-trade	$ 29,954
Unsecured non priority claims	
Accounts payable-trade	76,285
Total unsecured claims	$ 106,239

Note 7 - Income tax

The Company's effective income tax rate is higher than what would be expected if the state statutory rate was applied to income before tax primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes.

Note 7 - Income tax – (continued)

As of September 30, 2009, the Company had carry forward losses available to off-set future taxable income, which if not used will expire as follows:

Year of Loss	Amount	Expiration Date
September 30, 2003	$ 95,177	2010
September 30, 2005	356,150	2012
September 30, 2006	738,851	2013
September 30, 2007	461,221	2014
September 30, 2008	472,122	2015
September 30, 2009	186,315	2016
Total	$2,309,836	

The deferred tax assets arising from the carry forward loss have been fully reduced because of the uncertainty of its realization within the carry forward period.

Note 8 - Stockholder's (deficiency)

Stockholder's (deficiency) as of September 30, 2009, consists of the following:

	2009
Common stock, authorized 800,000 shares of $1 par value, issued and outstanding 1,000 shares	$ 1,000
Accumulated (deficit)	(3,192,801)
Stockholder's (deficiency)	$(3,191,801

Note 9 - Concentration of risk

Financial instruments which potentially could subject the Company to concentration of credit risk consist principally of accounts receivable.

Concentration of credit risk with respect to accounts receivable is limited due to the number of individuals or institutions comprising the Company's customer base.

Note 10 - Bankruptcy Reorganizations

On March 28, 2009, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal bankruptcy Code for the district of Puerto Rico. Under Chapter 11, certain claims against the Debtor in existence before the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as debtor in possession. These claims are reflected in the September 30, 2009, balance sheet as liabilities subject to comprise. Additional claims (liabilities subject to compromise) may arise after the filing date resulting from rejection of executor contracts, leases, or from determination by court of (agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Claims secured against the Debtor's assets (secured claims) also are stayed, although the holders of such claims have the right to move the court for relief from stay. Secured claims are secured primarily by liens of the Company's property, plant, and equipment.

Note 11 - Subsequent Events

The Company evaluated subsequent events through July 7, 2010, which is date the financial statements where available to be issued. No events have occurred subsequent to the balance sheet date and to the date the financial statements were available to be issued, that would require additional adjustments to, or disclosure in, the financial statements.

Flepak Investment, Inc.
(Debtor in Possession)

Financial Statements

September 30, 2009

Table of Contents

ACCOUNTANTS' COMPILATION REPORT

Board of Directors
Flepak Investment, Inc

We have compiled the accompanying balance sheet of Flepak Investment, Inc. as of September 30, 2009, and the related statement of operations and accumulated deficit and cash flows for the year then ended in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As discussed in Note 9 to the financial statements, the Company conducted significant transactions with related parties as part of its operations. As of September 30, 2009, due from affiliates compose approximately 51% of total assets.

As discussed in Note 11 to the financial statements, the Company filed a Voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating the business as a debtor in possession subject to the control and supervision of the Bankruptcy Court.

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SELLO $5.00

FPV & Galindez

San Juan, Puerto Rico
July 7, 2010

Flepak Investment, Inc.
(Debtor in Possession)

Balance Sheet

September 30, 2009

Assets

Rental properties, net	$ 2,061,141
Accounts receivables, net	35,800
Prepaid expenses	668
Property and equipment, net	134,195
Due from Stockholder	3,235,008
Due from Affiliates	695,517
Investment in real estate	2,296,262
Total	8,458,591

Liabilities and Stockholder's Equity

Post-Petition	
Accrued expenses	20,221
Accounts payable Affiliate	1,258,077
Total Post-Pettion	1,278,298
Pre- Petition	
Liabilities subject to compromise	6,526,405
Liabilities not subject to compromise	9,370
Total Pre-Petition	6,535,775
Total liabilities	7,814,073
Stockholder's equity	644,518
	$ 8,458,591

See accountants' compilation report and notes to financial statements

Flepak Investment, Inc.
(Debtor in Possession)

Statement of Operations and Accumulated Deficit

Year ended September 30, 2009

Rent income - affiliates	$ 377,267
Cost of sales	1,364
Gross profit	375,903
Administrative , selling and other expenses	138,577
Income from operations	237,326
Interest expense	(368,878)
Net loss	(131,552)
Accumulated (deficit), beginning of year	(423,930)
Accumulated (deficit), end of year	$ (555,482)

See accountants' compilation report and notes to financial statements

Flepak Investment, Inc.
(Debtor in Prossession)

Statement of Cash Flows

Year ended September 30, 2009

Cash flows from operating activities:	
Net loss	$ (131,552)
Adjustments to reconcile net loss to net cash (used in) operating activities:	
Depreciation and amortization	34,974
Amortization of debt issue costs	67,184
Changes in operating assets and liabilities accounts	
(Increase) decrease in assets:	
Accounts receivable	(24,000)
Prepaid expenses and other current assets	(601)
Increase (decrease) in liabilities:	
Accounts payable - trade	(273,679)
Accrued expenses	(160,868)
Total adjustments	(356,990)
Net cash (used in) operating activities	(488,542)
Cash flows from investing activities:	
Net capital expenditures	(17,729)
Advance to stockholders	(1,168,960)
Advances from affiliates	1,672,406
Net cash provided by investing activities	485,717
Cash flows from financing activities:	
Payments of long-term debts	(8,174)
Bank overdraft	(287)
Net cash (used in) financing activities	(8,461)
Net (decrease) in cash and cash equivalents	(11,286)
Cash, at beginning of year	11,286
Cash, at end of year	$ -

(Continue)

Flepak Investment, Inc.
(Debtor in Prossession)

Statement of Cash Flows (Continued)

Year ended September 30, 2009

Supplemental disclosures of cash flow information:	
Cash paid during the year for:	
Interest	$ 368,878
Supplemental disclosures of non-cash investing and financing activities:	
Debt restructuring	$ 893,378
Non-trade transactions with affiliates	$ 758,780
Payment of accrued expenses and other expenses through debt restructuring	$ 134,597

See accountants' compilation report and notes to financial statements

Note 1 - Organization and summary of significant accounting policies

Organization

Flepak Investment, Inc. (the Company), was organized under the laws of the Commonwealth of Puerto Rico on January 23, 2003, and is engaged in the business of property rental and management, and the development of commercial and industrial properties. Since 2005 the Company began selling packaging products.

Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimates amounts.

Debt issue costs

Debt issue costs consist of loan refinancing costs which are being amortized over the term of the loan on a straight line basis, which approximates the interest method.

Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Rental properties

Rental properties, consisting of land, building and improvements are stated at cost. Depreciation is provided using the straight line method based on the useful lives of the assets, which range from 3 to 50 years.

Property and equipment

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable, computed using the straight-line method.

Note 1 - Organization and summary of significant accounting policies - (continued)

Impairment of long-lived assets

In accordance with the provisions of the *Accounting for the Impairment or Disposal of Long-Lived Assets, Topic of the FASB Accounting Standard Codification* management reviews long-lived assets for impairment when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. As of September 30, 2009, management believes that long-lived assets are not impaired at the individual asset or the asset group level.

The Company periodically reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No evidence of impairment is evident as a result of such review.

Income taxes

The Company recognizes deferred tax assets and liabilities for future tax consequences of events that have been previously recognized in the Company's financial statements or tax return. The temporary differences between financial statements and tax returns arise principally from the use of net operating loss carry forwards and the allowance for uncollectible accounts.

Also, the Company adopted the requirements of the *Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codifications*, which is an accounting standard that prescribes a more-likely-than-not threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on the recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax position and income tax disclosures. The adoption of the above mentioned accounting standard did not have an effect on the Company's financial statements.

The Company's policy for interest and penalties related to income tax exposures is to recognize interest and penalties as a component of the provision for income taxes in the Statements of Income. As of September 30, 2009, the Company believes that there are no uncertain tax positions and has no accrued income tax related interest and/or penalties in the accompanying Balance Sheets.

Flepak Investment, Inc.
(Debtor in Possession)

Notes to Financial Statements (continued)

September 30, 2009

Note 2 - Rental properties

Rental properties as of September 30, 2009 consist of the following:

Building	$ 841,000
Building improvements	68,193
	909,193
Less: accumulated depreciation	161,052
	748,141
Land	1,313,000
Rental properties, net	$2,061,141

Depreciation expense related to rental properties charged to operations during the year ended September 30, 2009 amounted to $34,974.

Note 3 - Accounts receivable

Accounts receivable as of September 30, 2009 consist of the following:

Trade	$ 35,800
Less: allowance for doubtful accounts	-
	$ 35,800

Note 4 - Property and equipment

Property and equipment consist of the following:

Construction in progress	$ 1,104
Buildings expansions	51,670
Machinery and equipment	77,212
Leasehold improvements	36,956
	166,942
Less accumulated depreciation	32,747
	$ 134,195

Note 5 - Investment in real estate

Investment in real estate is valued at cost and consists of the following at September 30, 2009:

Condominium apartment located in San Juan, PR	$ 988,400
Land and building located in Rincón, PR	1,307,862
Total	$2,2296,262

Note 6 - Long - term debts

Long-term debts, presented as pre-petition liabilities in the accompanying balance sheet, as of September 30, 2009 consist of the following:

Note payable in 35 monthly installments of $7,367 plus interest and a final balloon payment of the remaining balance in 2010, bearing interest at 3.00% over 90-day LIBOR (approximately .3475% at September 30, 2009). Land and building are pledged as collateral.	$ 523,033
Loan payable to Westernbank in 59 monthly installments ranging from $72,112 to $103,689, plus interest ranging from 3.75% to 6.75%, and a final balloon payment of $21,711,809 due on November 1, 2014, collaterized by mortgage on affiliates company's building and land,and Company's account receivable and inventory. Loan payable represents an allocation of an affiliate debt as described below.	6,003,372
Total long-term debts	$6,526,405

Note 6 - Long - term debts - (continued)

Scheduled principal repayments on long-term debts for the next five years and thereafter are as follows:

Fiscal Year	Long-Term Debt
2010	$ 579,618
2011	58,516
2012	54,927
2013	42,453
2014	50,879
Thereafter	5,740,012
	$6,526,405

The carrying amounts of the Company's long-term debts approximate their fair value, based on the borrowing rates currently available to the Company for loans with similar term and average maturities.

During 2009 the Company incurred in certain events of defaults under the Financing Agreement and other Loan Documents. On March 28, 2009, the Company and Bankruptcy Guarantors each filed voluntary petitions for relief under the Bankruptcy Code in the United States Bankruptcy Court for the district of Puerto Rico. On July 13, 2009, Westernbank filed Proof of Claims concerning secured claims in the amount of $28,075,215. Each of the Guarantors acknowledged and accepted the outstanding obligations of principal, interest, and fees due to the Bank for each of the outstanding loans under the Financing Agreements.

The Company and the Guarantors have agreed to restructure the repayment of the amounts due under two term loans in the aggregate amount of $ 28,636,832. Approximately $827,804 of unpaid interest rate swaps and $53,376 of late fees are included as part of the loans' principal amounts. While the totality of the forgoing amount is owed jointly and severally by the Company and the Guarantors, the parties agreed to make certain accommodations for the repayment of the debt. Based on the loan agreement the Company and the Guarantors are responsible to pay the principal sum of $28,636,832 in fifty nine (59) consecutive monthly installments of interest and principal and a final balloon payment of $27,082,316 at November 1, 2014. The Company's allocation of this loan is approximately 21% of total principal amount, which as of September 30, 2009 is $6,003,372.

Note 6 - Long - term debts - (continued)

The loan agreements contains provisions which, among other, restrict the borrower's ability to dispose or collateralize assets, liquidate, merge or consolidate, engage in other business activities, limit the incurrence of additional indebtedness, payment of dividends, change in management and change in ownership of the borrowers.

Note 7 - Liabilities Subject to Settlement under Reorganization Proceedings

Pursuant to Section 362 of the Bankruptcy Code, the commencement of the Chapter 11 imposed an automatic stay, applicable generally to creditors and other parties of interest, regarding: (a) the commencement or continuation of a judicial, administrative or other action or proceeding against the Debtor that was or could have been commenced prior to commencing the Chapter 11 case; (b) the enforcement against the debtor or their property of any judgments obtained prior to commencement the Chapter 11 case; (c) the taking of any action to obtain possession of property of the Debtor or to exercise control over property of the Debtor; (d) the creation, perfection or enforcement of any lien against the property of the Debtor's bankruptcy estates; (e) any act to create, perfect or enforce against property of the Debtor of any lien that secures a claim that arose prior to the commencement of the Chapter 11 case; (f) the taking of any action to collect, assess or recover claims against the Debtor that arose before the commencement of Chapter 11 case; (g) the setoff of any debt owing to the Debtor that arose prior to the commencement of the Chapter 11 case; or (h) the commencement or continuation of a proceeding before the United States Tax Court any liability of the Debtor.

The liabilities at the petition date (pre-petition), which are expected to be settled as part of a plan of reorganization, are separately classified in the balance sheet and include the following:

Liabilities subject to compromise:	
Secured Claim	
Loan payable	$6,526,405
Liabilities not subject to compromise:	
Unsecured Priority Claims	
Accounts payable-Trade	5,940
Unsecured Non Priority Claims	
Accounts payable-Trade	3,430
Total Unsecured Claims	$ 9,370

Note 8 - Stockholder's equity

Stockholder's equity as of September 30, 2009 consists of the following:

Common stock, authorized 1,000,000 shares of $1 par value, issued and outstanding 12,000 shares	$ 12,000
Additional paid-in capital	1,188,000
Accumulated (deficit)	(555,482)
Stockholder's equity	$ 644,518

Note 9 - Related party transactions

Affiliates, as referred to in the accompanying financial statements, include corporations and a special partnership that are substantially owned by the Company's stockholders. These affiliated companies among others are: Flexible Packaging Company, Inc., Flepak Share Services Division, Inc., Packaging Solutions, Inc., Bayamón Recycling Inc., IPAK FPG, S.A., etc.

Amounts due from affiliates represent rent, advances to and payments on behalf earned or made by the Company. Amounts due from stockholder represent advances to or payments made by the Company on his behalf. These amounts are unsecured, non-interest bearing and with no specified collection terms.

At September 30, 2009 significant affiliates' transactions are reported in the Company's financial statements as follows:

Due from affiliates	
Flexible Packaging Company, Inc.	$ 664,717
Others	30,800
Total	$695,517
Due to affiliates	
Packaging Solutions, Inc.	$ 227,746
Flepak Share Services Division, Inc.	1,030,331
Total	$1,258,077

Accounts payable trade represent purchase of packaging materials to affiliates at cost.

Note 9 - Related party transactions - (continued)

The Company leases its offices and warehouse, located in Rincon, to Flexible Packaing Company, Inc., an affiliate, under two separate operating leases, which were combined into a single agreement on March 1, 2008. The first lease required monthly rental charges of $11,102 and the other of $5,248. Under the new agreement a single rental charge will be made with yearly increases in monthly amount from $19,333 to $30,933, the lease is to expire on February 2017.

The Company also leases its offices and warehouse, located in Bayamon, to Encantos de Puerto Rico, Inc, and the lease agreement is for a period of three years which began on July 1, 2006 and ends June 30, 2009. Monthly rental charges range from $3,000 during the first year to $9,800 during the final 18 months. Total rental income earned for the year ended September 30, 2009 amounts to $117,600.

Following is a summary of future minimum rental income under the above agreements for the following five years:

Years ended September 30,	Amount
2010	$ 278,400
2011	278,400
2012	332,533
2013	371,200
2014	371,200
	$1,631,733

Note 10 - Tax Exemption

In accordance with the terms of Act No. 135 of December 2, 1997 and after election to convert the grant Case No. 96-8-1-102 under prior industrial incentive law, into new grant Case No. 00-135-1-60, the Company was granted partial tax exemption with respect to property and income taxes arising from industrial development income derived from manufacturing operations from October 1, 2000 to October 1, 2010 for income tax purpose and from January 1, 2001 to January 1, 2011 for property and municipal license taxes.

Note 10 - Tax Exemption - (continued)

The Company is exempt during the exemption period from the following taxes at the percentages, terms and conditions set forth:

1. Up to 7% flat rate of income derived from tax exempt operations and subject to an aggregate average annual employment.
2. Ninety percent (90%) from municipal and commonwealth taxes on real and personal property.
3. Sixty percent (60%) from license fees, excise and other municipal taxes, levied by any ordinance or any municipality. The portion taxable shall be subject, during the term of the grant, to the tax rate in effect on the date the grant is signed, notwithstanding any later amendment or extension to the grant to cover operation in another municipality or municipalities.
4. 100% from excise taxes imposed under Subtitle B of the Puerto Rico Internal Revenue Code, to the extent provided in Section 6 (c) of the act.

The Company's effective income tax rate is higher than what would be expected if the state statutory rate was applied to income from continuing operations primarily because of expenses deductible for financial reporting purposes that are not deductible for tax purposes, tax exempt income and the dividends received deductions.

As of September 30, 2009, Flepak Investment, Inc. has a net industrial development carry forward loss amounting to $569,359 available to off-set future income, which if not used will expire as follows:

Year of Loss	Amount	Expiration Date
September 30, 2004	$ 22,328	2011
September 30, 2006	58,631	2013
September 30, 2007	148,585	2014
September 30, 2008	208,266	2015
September 30, 2009	131,552	2016
	$ 569,359	

The deferred tax assets arising from the above carry forward losses have been fully reduced because of the uncertainty of their realization within the carry forward period.

Note 11 - Bankruptcy Reorganization

On March 28, 2009, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal bankruptcy Code for the district of Puerto Rico. Under Chapter 11, certain claims against the Debtor in existence before the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as debtor in possession. These claims are reflected in the September 30, 2009, balance sheet as liabilities subject to compromise. Additional claims (liabilities subject to compromise) may arise after the filing date resulting from rejection of executor contracts, leases, and or the determination by court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Claims secured against the Debtor's assets (secured claims) also are stayed, although the holders of such claims have the right to move the court for relief from stay. Secured claims are secured primarily by liens on the Company's property, plant, and equipment.

Note 12 - Subsequent Events

The Company evaluated subsequent events through July 7, 2010, which is date the financial statements where available to be issued. No events have occurred subsequent to the balance sheet date and to the date the financial statements were available to be issued, that would require additional adjustments to, or disclosure in, the financial statements.